



## NORTH LILY MINING COMPANY

m/023/007

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12 February 1999

Mr. D. Wayne Hedberg  
Permit Supervisor  
State of Utah  
Department of Natural Resources  
Minerals Reclamation Program  
1594 West North Temple, Suite 1210  
Salt Lake City, Utah 84114-5801

FAX: 801-359-3940

Re: Ground Water Permit UGW230001

Dear Mr. Hedberg:

In my telephone conversation with Mr. Tom Munson today, North Lily informed Mr. Munson that both North Lily and International Mahogany (IMY), North Lily's joint venture partner, have reached an agreement whereby IMY has agreed to pay North Lily a fixed sum of money in exchange for North Lily assuming full responsibility for accomplishing the Silver City Reclamation in compliance with the above ground water permit.

In previous conversations with Mr. Munson, North Lily has explained that it was trying to arrange for IMY to put up its share of funds to accomplish the reclamation. It was upon Mr. Munson's telephone call to IMY concerning the seriousness of the reclamation delays, that IMY has agreed to a settlement with North Lily.

This should now enable North Lily to move forward at a faster pace, as we will not need IMY's approvals, to fulfill the reclamation obligation. In this regard, North Lily informed Mr. Munson that North Lily (or North Lily and IMY) will execute the final agreement with Compliance Technology so that they can proceed with testing and design of the recovery system appropriate to handle the runoff from the heaps in a manner satisfactory to the State. Upon approval by the State, Compliance Technology will install the approved recovery system. We would follow that

by reclamation of the heaps later this year.

We thank Mr. Munson for calling and confirming to IMY the nature of their obligation for the reclamation of Silver City. His conversation with IMY help point out the seriousness of further delays.

If you have any questions please call me.

Sincerely,

North Lily Mining Company



W. Gene Webb

cc: Steve Flechner